

5. *From the Minister of the Dominion of Canada, Washington, to the Secretary of State of the United States, Washington.*

No. 64.

April 5, 1928.

SIR,—I have the honour to refer to your note of March 12, 1928, on the St. Lawrence Waterway project.

The Secretary of State for External Affairs has noted that while the United States is not in complete agreement with the representations contained in my note Number 30 of January 31, 1928, as to the relative benefits and ultimate costs to the two countries of the proposed improvement and the division of expenses to be borne by each country, it is inclined to regard as an acceptable basis of negotiation the suggestions of the National Advisory Committee summarized in my note as to the division between Canada and the United States of the tasks involved in the completion of the Deep St. Lawrence Waterway.

The Secretary of State for External Affairs has also noted that the United States agrees that a channel of twenty-seven feet minimum depth would be advisable, accepts the principle that the works in the international section must be so operated as to control fluctuations of the outflow from Lake Ontario in such manner as to safeguard all interests on the purely Canadian sections, including the port of Montreal, and agrees that the design and operation of the works in the international section should be under joint technical control. It is noted also that the United States would be prepared to have the discussion extended to the consideration of any outstanding problems affecting the Great Lakes and the St. Lawrence watershed, as suggested in my previous note.

In your note under reference you raise some question as to the relative advantage of the waterway to each country and as to the validity of some of the items included on the Canadian side of the balance sheet presented for illustrative purposes by the National Advisory Committee, and refer also to the problems involved in the allocation of costs as between navigation and power. At the present stage it does not appear necessary to discuss these points in detail.

It is further noted that you do not favour the recommendation of the National Advisory Committee, which was an integral feature of its plan and of the division of tasks which it proposed, that the works on the national section should be given priority over the works on the international section in order to permit an agreed solution of the engineering difficulties in this area, and to ensure reasonable absorption of the power developed on the Canadian side. In view of the fact that the market for hydro-electric power in Canada, though large and rapidly expanding, has definite limitations, and that export of power is considered contrary to public policy, it is an essential factor in any plan economically feasible from the Canadian standpoint that, whether through the priority procedure set out by the National Advisory Committee or by some alternative method, the development of power to be utilized in Canada should not outrun the capacity of the Canadian market to absorb and thus to meet the proportion of the costs of the waterway fairly chargeable to power.

The National Advisory Committee laid emphasis on another phase of the situation—the necessity of reconciling the divergent views of the two sections of the Joint Board of Engineers as to the best method of development in the international section of the St. Lawrence. Definite and agreed engineering proposals for the development of this section would appear to be a necessary preliminary to any computation of costs or decision as to the order of construction or division of tasks. His Majesty's Government in Canada has previously